THE HONORABLE MARC L. BARRECA
Hearing Date: January 20, 2012
Hearing Time: 9:30 a.m.
Response Date: January 13, 2012
Chapter 7
Hearing Location: Seattle

THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re ADAM GROSSMAN, Debtor.	Case No. 10-19817 DECLARATION OF ADAM GROSSMAN IN REPLY TO TRUSTEE'S RESPONSE TO MOTION FOR ABANDONMENT

I am the Debtor herein and I have read the Trustee's Response To Debtor's Motion For Abandonment Of Terrington Davies LLC.

This Response contains many errors. I do not see a need to identify and correct all of them here except for two. First, the Trustee states that "Terrington Davies [LLC] is a defendant in adversary proceeding number 11-1954" [Page 2, Line 7]. This is not true. The referenced proceeding names 15 defendants. Terrington Davies LLC is not one of them. It is unlikely that this was a mistake because in the last Interim Report the Trustee reported that for "Terrington Davies LP [sic]" [Page 2, Item 16] (see Exhibit 4) the estimated net value determined by the Trustee less liens, exemptions, and other costs was $0 and the asset was declared "DA", intention to fully abandon under 11 U.S. C. §554(c). Second, Jeffrey Bernstein has no interest

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in Terrington Davies LLC; he resigned as managing member in 2010 [see Exhibit 1].

Customer Property Claims Have Been Long Anticipated

The Trustee "is highly concerned" [Page 3, Line 2] that investors may contend that the estate holds customer property or maintains that customer property, property belonging to other people, is part of the estate and, as a result, will make claims against the estate and "contend that the estate is liable."

This issue is not new and has been identified for a very long time. As far back as May, 2011, I submitted to this court in my amended Statement of Financial Affairs a very detailed description of losses suffered by me and other customers [see Exhibit 2]. This error was publicly made known again through a declaration submitted in state Superior Court by Joanna Strober (see Exhibit 5). Ms. Strober has very uniquely relevant qualifications to comment on parts of these proceedings: she is trained as an attorney, holds a very senior position as Managing Partner at Sterling Stamos where her job is to evaluate investment funds on behalf of clients, has personal knowledge of the transaction in which the state Superior Court erred in misclassifying customer property as estate property (community property), was an investor in the Tanager Fund for years, and has stated outright that it will likely affect her personally if losses are prorated among investors "as GAAP accounting suggests" [Declaration of Joanna Strober, Page 2, Line 16]. She specifically wrote,

> **I would like for my redemption not to be clawed back. The trial Judge's error should be corrected and the client money returned to its rightful owners but I have not yet had any standing for which to make a claim or have my interests represented. [Declaration of Joanna Strober, Page 2, Line 6]**

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Emphasis added.

so there should be no surprise that investors and customers -- other people -- who have not had any standing in state court will submit claims in federal court where they have standing.

To be as clear as possible, "I have not yet had any standing for which to make a claim or have my interests represented" almost certainly means "I will make a claim where I have standing to have my interests represented."

Fiduciary Duties And Customer Property Claims

I have a fiduciary duty to ensure that customer property is returned to its rightful owners. I respectfully request this Court to make particular note of the following points:

Apparently the Trustee “is highly concerned that the K-1’s, to the extent issued, will not be accurate” [Page 3, Line 2] even though it is my preferred practice is to use the services of the highly prestigious accounting firm Peterson Sullivan LLP. I am not an accountant so I rely upon their services and have found Peterson Sullivan LLP to have the highest level of integrity. Their reputation is well known.

I would have preferred that investor claims accurately reflect the actual tax returns and financial statements which is why I have for months requested the Trustee make some arrangements -- any arrangements -- for this. Because the Trustee and Trustee's attorney have resisted doing so [see Exhibit 3], I have submitted this motion for abandonment. Now, the claims will have to guess at the actual amounts likely to be reflected in future tax returns and K-1's yet to be prepared.

Customer property should be returned to its rightful owners. This is not only a high priority in Bankruptcy Code but it is the right thing to do. It is a very reasonable request that

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customers want their property returned and it should be fully expected that customers will make such requests. Returning other people's property to them should be a goal, not a cause of concern.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct to the best of my knowledge.

Dated this 17th day of January, 2012. Signed in Seattle, WA.

__*/s/ Adam Grossman*_____
Adam R. Grossman

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Exhibit 1

JEFFREY R. BERNSTEIN
1916 2ND AVE. N
SEATTLE, WA 98109-2505
206-588-0343

December 18, 2010

Adam Grossman
5766 27th Ave. N
Seattle, WA 98105

Dear Adam:

Having notified you in early November of my desire to resign from Terrington Davies LLC, I hereby, pursuant to section 12 of our Principals' Agreement, "quit Terrington Davies and free [my]self of all responsibilities under [the Principals' Agreement]," effective immediately.

According to our agreement, the rights/responsibilities that accrue/devolve to me are as follows: At your discretion I will perform all work necessary to dissolve Terrington Davies or I will turn over to you any Terrington Davies material you want in order to continue the work of Terrington Davies. If you elect to designate a person to take on the responsibilities I have had, I will teach that person how to perform those responsibilities.

Unless and until I hear from you I will assume you will take care of all the responsibilities previously assigned to me.

Terrington Davies has three vendors who I have been responsible for. The account with the UPS Store in Greenville, DE is paid up through February 20, 2011. The UPS store requires us to maintain an account with them to cover the cost of forwarding our mail. The balance of that account presently is $5.91. I have directed them to forward all mail to you. Their email address is store1391@theupsstore.com.

The second vendor is Agents and Corporations, Inc. who we pay to serve as our registered agent in Delaware. We are paid up with them through the end of 2011. Their email address is agents@incnow.com.

The third vendor is Peterson Sullivan. We owe them $5705. It is my understanding you are handling this matter. As I am liable for amounts owed to Peterson Sullivan for work they did prior to my resignation, I would appreciate it if you would keep me apprised of how you are dealing with their bill. I am prepared to contribute my share, 1/3 of the amount owed.

Very truly yours,

Jeff Bernstein

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Exhibit 2

Grossman, Adam Ch. 7 Bankruptcy — Case No. 10-19817-MLB

2nd AMENDED Statement of Financial Affairs
Attachment To Question No. 8

Date of Loss: 12/14/2010

Description of Circumstances:

During divorce proceedings in 2010, Debtor's ex-wife submitted claims in King County Superior Court that $255,000 disbursed from the Terrington Davies Tanager Fund Limited Partnership by the general partner on May 20, 2010, was community property money while the Debtor who was the Director of Trading for the then-general partner testified that the funds belonged to other investors. An order of the Washington State Superior Court made a finding of fact that a distribution of funds out of the Limited Partnership belonging to other people totaling $255,000 was community property belonging to the Debtor and the Debtor's wife.

Loss #1: Ex-wife was credited $255,000 of community assets to balance incorrectly alleged distribution of non-existent community assets from limited partnership that were the property of other investors prior to the finding of the Superior Court. Loss: $125,000 of actual community property that would have otherwise been divided.

Loss #2: Debtor was credited with $255,000 of incorrectly classified non-existent community assets that were the property of other investors prior to the finding of the Superior Court. Loss: $255,000.

Loss #3: As Debtor is probably the only person among any of the associated parties (other than costly accountants) who has the knowledge to prepare P/L statements of many thousands of cash-settled index option trades, Debtor made an offer, which was accepted, to prepare one single report of the preliminary financial statements for the Terrington Davies Tanager Fund LP, gratis. Debtors pre-preparation represents approximately 80% of the total work required that has traditionally then been completed by Peterson and Sullivan LLP to finalize the financial statements but the new general partner may use other accountants. Financial statements are a necessary prerequisite to preparing K-1 tax forms for limited partners and this has typically been done in the summer.

Value of Loss:

$125,000 (Loss #1)
$255,000 (Loss #2)
$100,000 (Loss #3)[1]
$100,000 (Loss #4)[2]
========
$580,000 Total[3]

To reflect the ruling of the Superior Court that the funds distributed in May, 2010, from the Limited Partnership belonged to the community and not the other investors, entries to the general ledger must account for the change of "fact" and the Debtor has participated in limited discussions with Peterson and Sullivan. However, the adjusting account entries necessary to be consistent with the ruling of the Superior Court will ultimately be the judgment of the new general partner likely in consultation with accountants and lawyers of their choice. While the decision of the new general partner is speculative, the accountants at Peterson and Sullivan suggest the most accurate -- and possibly only -- corrective entry to account for the distribution of community property in the amount of $255,000 when no (material) amount of community or separate property existed in the partnership at the time of the distribution is: credit cash account $255,000, debit accounts receivable from Jill Borodin and Adam Grossman community property. Likewise, the corrective entries for funds deposited from Peter Zieve and Lyman Opie which can be inferred that the Superior Court found were not used to fund the May 20, 2010, purchase are: debit cash $120,000, credit accounts payable Peter Zieve $120,000; and debit cash $135,000, and credit accounts payable Lyman Opie $135,000. Thus, before closing the Fund, the remaining non-zero capital accounts may be,

Account	Amount
Debtor/ex-wife Community A/R	$255,000
Peter Zieve A/P	-$120,000
Lyman Opie A/P	-$135,000

and these three balance sheet accounts would need to be zeroed out whether by agreement or through litigation prior to closing the business. Loss: $100,000 (guess).[1]

#4: Cost of Litigation. Highly variable. Loss: $100,000 (guess).[2]

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[1] Placing a valuation on the loss to the Debtor cannot be done accurately depending on how the community A/R is treated and ruled upon based on the Divorce Decree. If Debtor's Chapter 7 proceedings are completed, there will likely be no effect on debtor. If Debtor's motion to convert to Chapter 13 under a 100% Repayment Plan is granted the losses could vary from $0 to $255,000 depending on the interpretation of community A/R created by the Superior Court ruling.

[2] The cost either to correct the error made by the Superior Court or to enforce the collection of an account receivable that is created by the Superior Court's error will not be insignificant. Since attorney's fees are awarded -- nearly universally and in full -- to the prevailing party, this range of cost could vary widely.

[3] Variation as noted.

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Exhibit 3

29. All documents relating to Keywest Financial, LLC, or the members of that entity, in any way.

See Question 28.

"Relating to Keywest Financial LLC": I don't have and haven't had many documents relating to them. Any questions we have (they want to know something about an account or entity, I want to ask them to file a reconveyance) are generally relayed through an intermediary, usually Pete O'Connell. I have checked on the Georgia Secretary of State web site that they exist are in good standing with the Georgia equivalent of Registered Agent. I have not kept any of the documents which may have been temporarily downloaded to my computer. Per Instruction 14, (a) Georgia Secretary of State, (b) Atlanta, (c) the windows temp directory on my computer, (d) not saved.

Besides this, based on the consensus of advice I have received, I try not to have contact with them. Our transition went pretty well with sign-offs, passwords, logins, resignations and appointments, etc. That lasted for about a month. I was in California for almost two weeks from mid-December to around January 1 and we met for about two days to make lists of where the mailboxes were, I have more recently been on one or two conference calls with Jason White and Peterson and Sullivan for the purpose of discussing the handling of the K-1's.

I contacted Ron Brown twice by telephone during the period in which we could reverse the contract and he stated he did not wish to discuss my case with me. I sent him one letter requesting to clarify some property issue questions I had and received no response.

I do not know who the members are except for Jason White who had documentation to show me that was a managing member of the LLC and President and authorized to sign contacts on its behalf. Irene Miller seems to work there but I'm not sure. Pete O'Connell does not seem to work there but is friendly with them. Ms. Mauwes has introduced into court records correspondence she has received and asked me whether I knew about someone (I can't remember their name... Kimberly, Stephanie) and I did not know of the name except through her submission which I read either prior to or after being asked.

"or the members of that entity"

No documents attached. None possessed.

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Date: Wed, 21 Sep 2011 23:58:19 -0700 (PDT)
From: Adam R. Grossman <arg@AdamReedGrossman.com>
Reply-To: Adam R. Grossman <adamreedgrossman@yahoo.com>
To: Denice Moewes <Dmoewes@aol.com>

Dear Ms. Moewes,

...

On a different matter since you have requested I provide you with information, I would like to raise your attention to the lack of issuance of 2010 K-1's to investors. Nobody knows what to do or who should do it but they need to go out. I believed Keywest was going to do it but they appear to have the same policy expressed in the letter you submitted from them in the spring... not much willingness to throw good money after bad. My understanding from the Chapter 7 Trustee's Handbook is that I am not allowed to operate any of the businesses that are in the estate: "only the trustee and not the debtor may be authorized to operate the debtor's business." Any thoughts would be appreciated.

...

Subject: The court approved the withdrawal...
Date: Thu, 03 Nov 2011 09:59:53 -0700
From: Adam R. Grossman <arg@AdamReedGrossman.com>
To: Dmoewes@aol.com

Ms. Moewes,

...

A few timely issues:

...

3. Issue K-1's for Tanager Fund. I can do this -- other people can be hired but it will cost $12K of accountants if we're lucky and I do it for free and probably $35K+ for someone starting from nothing. I would like to buy back TD LLC and do the K-1's. I don't know what is possible about working on this or owning this company and how those relate. It probably has less than $1,000 in the Schwab account (not a bank account) and owes $5K from last year so this is a negative $17K-$18K entity.

Subject: Re: GP
Date: Mon, 7 Nov 2011 14:11:07 -0500 (EST)
From: Dmoewes@aol.com
To: arg@AdamReedGrossman.com
CC: ewood1@aol.com

Adam:

...

The estate is clearly not going to pay to do K-1's for an entity in which it has no interest.

...

Denice Moewes
Wood & Jones, P.S.
303 N. 67th Street
Seattle, WA 98103
206-623-4382

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